

PRESS RELEASE

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PRESCOTT VALLEY MAN PLEADS GUILTY IN \$1.3 MILLION INVESTMENT FRAUD SCHEME

PHOENIX, ARIZONA -- The United States Attorney's Office for the District of Arizona announced that on February 28, 2003, Michael Richard French, D.O.B. July 21, 1954, most recently of Prescott Valley, Arizona, entered a plea of guilty to fraud charges in federal district court in Phoenix, Arizona. At the same time, French also admitted multiple violations of his supervised release conditions which had been imposed pursuant to an earlier federal fraud conviction.

French had been charged by federal grand jury indictment with 9 counts of violating Title 18 of the United States Code, Section 1341 (Mail Fraud) arising out of a scheme wherein he and others sold investment units in limited partnerships which were supposed to purchase transmission licenses from the Federal Communications Commission. A transmission license for Interactive Video Data Service ("IVDS"), grants to the holder the exclusive use of a narrow band of transmission spectrum several times smaller than that used for broadcast television. Holders of such licenses try to develop their allotted spectra for commercial projects.

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From February, 1995, through March, 1997, French and other salesmen working under the name Interactive Technologies, Incorporated (“ITI”), told potential investors that IVDS technology had been developed to the point that they could use the spectrum to create a data communications network that would allow consumers, through a transmitter sitting atop their televisions, to instantly respond to television commercials and shows to order products and services from their homes. French told investors, who purchased units in any of three different limited partnerships for between \$7,900 and \$25,000 per unit, that their investment funds would be used to bid on IVDS licenses being auctioned by the FCC for several large metropolitan areas, including Boston and Los Angeles, and then to acquire and install the hardware to “build out” the license area and make it usable by subscribing consumers. French told investors that IVDS technology was already operating in other metropolitan areas within the United States, and presented to the investors cash flow and profit projections for the Boston and Los Angeles IVDS projects that predicted returns in the hundreds of millions of dollars.

In reality, no IVDS license had been developed or put into use in any location, because technology did not yet exist to support consumer use of the spectrum. Additionally, the financial projections presented to investors by French and other ITI salespeople were completely fictitious. In total, French and other ITI salespeople took \$1,345,700 from 106 different victims who invested in one or more of the three limited partnerships ITI pitched. None of the funds invested by the victims ever went toward the purchase of any IVDS license. The money instead went to fund unrelated business ventures of ITI’s owner, Jerome William Morris, Sr., who was indicted with French. The remainder of the invested funds was paid to French and other ITI salespeople in the form of sales commissions which were, in some instances, in excess of 50 percent of the purchase price for each partnership unit. French admitted during his plea proceeding that he knew the representations he made to his victims were false, but he made those representations anyway to get the investors’ money.

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French was indicted for the securities and investment fraud scheme in February, 2000, but was a fugitive until January of this year, when he was delivered to federal law enforcement officers by the Mexican authorities at the San Luis, Arizona, port of entry.

A conviction for Mail Fraud carries a maximum penalty of 5 years, a \$250,000 fine or both, for each count.

Sentencing is set before Judge Earl H. Carroll on May 12, 2003.

The investigation in this case was conducted by the United States Postal Inspection Service.

The prosecution is being handled by Assistant United States Attorney John J. Tuchi of the United States Attorney's Office, District of Arizona, Phoenix, Arizona.

CASE NUMBER: CR-00-166-PHX-EHC and CR-95-055-PHX-EHC
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